

Allocation Type	Amount of Bonus Allocated		
	Option 1	Option 2	Option 3
UNISERV	\$9,000	\$5,000	\$9,000
Taxes	\$6,300	\$7,500	\$6,300
Vacation	\$0	\$0	\$4,000
After-Tax Investment	\$14,700	\$17,500	\$10,700
<b>Bonus Total</b>	<b>\$30,000</b>	<b>\$30,000</b>	<b>\$30,000</b>

**Potential After-Tax Accumulated Assets\***

Years After Bonus Election	Option 1		Option 2		Option 3	
	Rate of Return of Invested Funds					
	8.0%	10.0%	8.0%	10.0%	8.0%	10.0%
0	\$21,000*	\$21,000*	\$21,000*	\$21,000*	\$21,000*	\$21,000*
5	\$28,560	\$30,764	\$28,123	\$30,181	\$24,618	\$26,464
10	\$38,950	\$45,258	\$37,733	\$43,503	\$32,482	\$37,819
15	\$53,272	\$66,874	\$50,730	\$62,903	\$44,355	\$55,979
20	\$73,076	\$99,268	\$68,351	\$91,266	\$61,227	\$83,835
25	\$100,546	\$148,042	\$92,304	\$132,902	\$84,927	\$126,332
30	\$138,771	\$221,831	\$124,953	\$194,287	\$118,260	\$191,382
35	\$192,129	\$333,991	\$169,584	\$285,199	\$165,196	\$291,285
40	\$266,844	\$505,258	\$230,773	\$420,460	\$231,475	\$445,360
45	\$371,783	\$767,946	\$314,917	\$622,660	\$325,338	\$683,936

**30% Tax Rate on All Taxable Money**

\*All cells show the accumulated after-tax value of the invested bonus money at the year indicated in the left hand column. Money spent on a vacation is reflected in the year 0 but not in any other year. Notice that the year 0 values are all \$21,000. This is due to the way we valued the funds. For example, look at option 3, year 0. \$9,000 is deposited in UNISERV and is not included in taxable income for the year. Future UNISERV earnings will not be taxed until the money is withdrawn. The advantage of UNISERV is that earnings accrue on money that otherwise would have gone to pay taxes. This leaves \$21,000 in taxable income, and at the 30% tax rate, \$6,300 tax is due, leaving \$14,700: \$4,000 for the vacation and \$10,700 to put in an after-tax investment. We now have \$23,700 in funds or on hand for the vacation: \$9,000 in UNISERV, \$4,000 for the vacation, and \$10,700 in after-tax investments. Of this \$23,700, however, \$2,700 in taxes will eventually be due on the \$9,000 in the UNISERV account (30% tax rate). Thus, the value of after-tax assets shown is \$21,000: which includes \$6,300 of UNISERV funds (\$9,000 - \$2,700), \$4,000 in vacation money and \$10,700 in an after-tax investment.

Values shown for all subsequent years assume the UNISERV and after-tax investment remain in their respective accounts, but 30% of any UNISERV funds are excluded from the shown accumulated value of after-tax assets. This accounts for the fact that UNISERV funds must still be taxed when you withdraw them. Thus, we avoid the impression that all UNISERV money could be withdrawn and spent as desired. Earnings on the money in the after-tax investment are assumed to be taxed at 30% each year and are no longer in that account and all of that money may be withdrawn and spent whenever desired with no further taxes due.

To illustrate, look at Option 1 after 20 years under the 8% rate of return. The value shown is \$73,076, which includes \$29,364 of UNISERV funds, \$43,712 in the after-tax investment. The UNISERV account is actually \$41,949, but we have not included the \$12,585 of taxes that must eventually be paid (if the 30% rate remains in effect). All of the \$43,712 in the other investment account are included because it is all after-tax money.